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E.O. 12958: DECL: 11/03/2016

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SUBJECT: LEBANON: PARIS III STILL ON TRACK

Classified By: Ambassador Jeffrey Feltman for reasons 1.4 (b) and (d)

11. (C) On December 27 Econoff and Econstaff met at the Ministry of Finance with the team working on Paris III and briefly with Minister Jihad Azour. The purpose of the meeting was to assess the progress towards the donor conference, still scheduled to be held in Paris on January 25, 2007. The team has finished the program and matrix to be shared with the donors. While they were willing to discuss it, a hard copy will not yet be shared outside of the Ministry and the international Core Group. The report will be shared with the GOL cabinet on Tuesday, January 2, in anticipation of a cabinet meeting 48 hours later, as stipulated in the constitution. At that point the program will be public.

12. (C) Invitations to the conference were sent out by French President Jacques Chirac on November 14, and post has a list of invitees which is available if requested. There will be a pre-meeting in Paris on January 10 for final preparations. This will be attended by the donor Core Group. In addition, the team expects that the IMF will visit Lebanon again in January, but does not have an exact date. The IMF has been involved throughout the preparation of the program. In the eyes of the team, the program is much more detailed than that of Paris II, and should not contain any surprises. The GOL has been involved in planning this conference since 2005, and therefore all members of the government, including the current opposition, took part in the development of the core plan. However, there was some indication that the GOL will make an effort to separate the conference and the reform plan from the current governmental crisis, so that it could continue to roll out no matter what the outcome of the events currently taking place in Beirut. It was unclear, however, if there is a plan to make that work.

13. (C) The program does not stipulate what is needed in terms of grants vs. loans, but the gap between what can be achieved by stringent economic reforms, on the one hand, and the deficit on the other will be identified. In addition, the plan identifies what laws need to be enacted, as well as the more than fifty laws already in place which need to be enforced in order for the reforms to take place. The program appears to be comprehensive, but all acknowledged that it could easily be picked apart and criticized by opponents.
FELTMAN